

CITY OF OSKALOOSA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2011

CITY OF OSKALOOSA

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CITY OF OSKALOOSA

OFFICIALS

June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Krutzfeldt.	Mayor.	Jan 2012
Pamela Blomgren.	Council Member.	Jan 2012
Tom Jimenez	Council Member.	Jan 2012
Aaron Ver Steeg.	Council Member.	Jan 2014
Lori Smith.	Council Member.	Jan 2012
Doug Yates.	Council Member.	Jan 2014
Scottie Moore.	Council Member.	Jan 2014
Tom Walling.	Council Member.	Jan 2014
Michael Schrock, Jr.	City Manager	Indefinite
Amy Miller.	City Clerk - Finance Director.	Indefinite
David Dixon.	City Attorney.	Indefinite
Akhilesh Pal.	Public Works Director	
David Neubert.	Waste Water Director	
Mark Neff.	Fire Chief	
John McGee.	Police Chief	
Wanda Gardner.	Library Director	



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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Oskaloosa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Oskaloosa, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to and do not present fairly, respective cash basis financial position for the year ended as of June 30, 2011, and respective changes in cash basis financial position of the City of Oskaloosa, in conformity with the basis of accounting described in Note 1. Separate audit reports are issued by the respective component units.

In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the primary government of the City of Oskaloosa, as of June 30, 2011 and the respective changes in cash basis financial position thereof for the year ended June 30, 2011 in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2011 on our consideration of the City of Oskaloosa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 7 through 13 and budgetary comparison information on pages 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Oskaloosa's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the three years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in our audit of the primary government financial statements, and in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

The information identified in the table of contents as miscellaneous statistical data is presented for purposes of additional analysis and is not a required part of the primary government financial statements. This information has not been subjected to the auditing procedures applied in the audit of the primary government financial statements and, accordingly, we express no opinion on it.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 19, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

It is an honor to present to you the financial activities of the primary government of the City of Oskaloosa, Iowa. We offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the primary government of the City of Oskaloosa, Iowa for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The cash and investments of the City at the close of the most recent fiscal year are \$8,970,488 compared to \$8,476,132 as of June 30, 2010.
- The government's total cash and investments increased by \$494,356.
- The City's total long-term debt, excluding compensated absences, decreased by approximately \$1,521,000 during the fiscal year ended June 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis is intended to serve as an introduction to the City of Oskaloosa's primary government financial statements and provides an analytical overview of the City's financial activities. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

Government-wide financial statements - The government-wide financial statement is designed to provide readers with a broad overview of the City's finances. The statement of activities and changes in cash and investment balances presents information showing how the City's cash and investment balance changed during the most recent fiscal year.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, community and economic development, capital projects and debt service. The business type activities of the City include the sanitary sewer, airport, Edmundson Golf Course, stormwater and RACI Main Street loans.

The government-wide financial statements include only the primary government of the City. (See Note 1.B)

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. Governmental fund information determines whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The City maintains numerous governmental funds. Information is presented separately in the statement of cash receipts, cash disbursements and changes in cash and investment balances for each major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds - The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statement. The City maintains five enterprise funds. The proprietary fund financial statements provide separate information for the Sanitary Sewer Fund, as this fund is considered to be a major fund of the City. Data from the other four enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non major enterprise funds is provided in the form of combining statements elsewhere in this report.

Internal service funds are an accounting device used to accumulate and allocate internally among the City's various functions. The City maintains three internal service funds.

Notes to financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and capital projects are presented following the notes to financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the City reports the activities of the funds using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The City does not report capital assets or depreciation on those assets as would be required by GAAP.

Table 1 highlights the City's receipts and disbursements for the fiscal years ended June 30, 2011 and 2010.

Receipts are further divided into two major components: program receipts and general receipts. Program receipts are defined as charges for services and sales, operating and capital grants and contributions. General receipts include taxes and other unrestricted revenue sources.

The City's cash balance for governmental activities increased from a year ago from \$6.6 million to \$7.1 million. Our analysis below focuses on this change in cash balance and changes in receipts and disbursements from the prior year.

The City's total receipts for governmental activities decreased by 21.4 percent or \$2.35 million. The total disbursements of governmental activities programs and services decreased by \$4.12 million or 34.3 percent. The significant decrease in receipts was primarily the result of no new bond issue this year. The decrease in disbursements was primarily the result of decreased debt service payments because of debt retired in the previous year and decreased capital project disbursements.

Table 1 - City of Oskaloosa's Changes in Cash and Investment Balances
(Expressed in Thousands)
Year ended June 30, 2011

	Governmental Activities 2011	Business Type Activities 2011	Total 2011
Receipts:			
Program receipts:			
Charges for service	\$ 842	\$ 1,957	\$ 2,799
Operating grants, contributions and restricted interest	1,672	242	1,914
Capital grants, contributions and restricted interest	334	9	343
General receipts:			
Property taxes	4,205	-	4,205
Other taxes	1,412	-	1,412
Investment earnings	88	4	92
Other general receipts	87	10	97
Total receipts	8,640	2,222	10,862
Disbursements:			
Public safety	2,465	-	2,465
Public works	1,103	-	1,103
Culture and recreation	1,052	-	1,052
Community and economic development	1,251	-	1,251
General government	661	-	661
Debt service	1,143	-	1,143
Capital projects	206	-	206
Sewer	-	1,828	1,828
Airport	-	226	226
Edmundson Golf Course	-	249	249
Storm water	-	184	184
Total disbursements	7,881	2,487	10,368
Change in cash and investment balances before transfers	759	(265)	494
Transfers, net	(301)	301	-
Change in cash and investment balances	458	36	494
Cash and investment balances, beginning	6,628	1,848	8,476
Cash and investment balances, ending	\$ 7,086	\$ 1,884	\$ 8,970

The City kept the total property tax rates the same in 2011. The City's tax receipts from the tax levy increased by approximately \$191,000 in 2011. The increase was due to an increase in the total property valuations.

The City decreased the total property tax rates in 2010 by 5.9 percent. The City's tax receipts from the tax levy decreased by approximately \$79,000 in 2010. The decrease is due to a decrease in the property tax rates.

Table 1 - City of Oskaloosa's Changes in Cash and Investment Balances
(Expressed in Thousands)
Year ended June 30, 2010

	Governmental Activities 2010	Business Type Activities 2010	Total 2010
Receipts:			
Program receipts:			
Charges for service	\$ 483	\$ 1,980	\$ 2,463
Operating grants, contributions and restricted interest	1,867	251	2,118
Capital grants, contributions and restricted interest	1,603	-	1,603
General receipts:			
Property taxes	4,014	-	4,014
Other taxes	1,479	-	1,479
Investment earnings	102	2	104
Bond and note proceeds	1,408	-	1,408
Other general receipts	38	18	56
Total receipts	<u>10,994</u>	<u>2,251</u>	<u>13,245</u>
Disbursements:			
Public safety	2,297	-	2,297
Public works	1,116	-	1,116
Culture and recreation	1,144	-	1,144
Community and economic development	1,346	-	1,346
General government	751	-	751
Debt service	2,566	-	2,566
Capital projects	2,784	-	2,784
Sewer	-	1,492	1,492
Airport	-	112	112
Edmundson Golf Course	-	244	244
Storm water	-	59	59
Total disbursements	<u>12,004</u>	<u>1,907</u>	<u>13,911</u>
Change in cash and investment balances before transfers	(1,010)	344	(666)
Transfers, net	<u>-</u>	<u>-</u>	<u>-</u>
Change in cash and investment balances	(1,010)	344	(666)
Cash and investment balances, beginning	<u>7,638</u>	<u>1,504</u>	<u>9,142</u>
Cash and investment balances, ending	<u>\$ 6,628</u>	<u>\$ 1,848</u>	<u>\$ 8,476</u>

Table 2 below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by local taxes or other general revenue or transfers.

Table 2 - Governmental Activities

Programs	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
General government	\$ 661,337	\$ 291,180	\$ 751,173	\$ 489,917
Public safety	2,464,926	2,181,648	2,297,121	2,025,261
Public works	1,102,474	(61,788)	1,115,843	87,047
Culture and recreation	1,052,142	774,262	1,144,236	741,118
Community and economic development	1,251,184	1,070,201	1,346,056	962,262
Debt service	1,142,933	905,383	2,566,285	2,564,639
Capital projects	205,535	(128,508)	2,783,553	1,180,585
Total	<u>\$ 7,880,531</u>	<u>\$ 5,032,378</u>	<u>\$12,004,267</u>	<u>\$ 8,050,829</u>

Net cost of services is 64% and 67% of total cost of services in 2011 and 2010, respectively. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

Business type activities - Business type activities increased the City of Oskaloosa's cash and investments by \$36,220. Key elements of this increase are as follows:

- The Sanitary Sewer Fund recorded an increase of \$99,740 in cash and investments for the year due to reduced operating costs.
- Total business type activities' revenue for the fiscal year was approximately \$2.22 million compared to \$2.25 million for 2010. For 2011, all but approximately \$23,900 of this revenue was generated for specific business type activity expenses. This decrease was due primarily to the reduced amount of Golf Course Revenues received.
- The Airport activity recorded a decrease of \$29,766 in cash and investments for the year. The decrease is due to the purchase of an airport hangar.
- The Edmundson Golf Course activity recorded a decrease of \$56,672 due to decreased revenues.
- The Storm Water Fund recorded an increase of \$32,239. The increase was down from the previous year due to the purchase of a new street sweeper.
- The RACI Main Street Loans Fund recorded an increase in cash and investments of \$51 for the year due to no operating costs this year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. On the following page are the major reasons for the changes in cash and investment balances from the prior year for the City's major funds.

Governmental Funds

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash and investment balance of the General Fund was \$2,052,621, an increase of \$343,515 from the prior year. This increase was primarily due to increased property tax collections.

The Road Use Tax Fund cash and investment balance increased by \$176,285 to \$654,563 during the fiscal year. This Fund's receipts increased during the year, while disbursements decreased for the year.

The Library Maintenance Fund was established by the Local Option Sales and Service Tax Referendum to maintain the Library in future years. The funds are from the Local Option Sales and Service Tax with only interest proceeds from those funds to be expended. At the end of the fiscal year, the cash and investment balance was \$1,150,094, a decrease of \$48,251 due to increased building repairs.

The Local Option Sales and Service Tax Revenue Funds are disbursed entirely each year and therefore had no cash and investment balance in the current or prior year.

The Debt Service Fund had an increase of \$201,755 for an ending cash and investment balance of \$271,559. The increase was due to collection of the downtown sidewalk assessments.

The Employee Benefits Fund had a decrease of \$87,430 for an ending cash and investment balance of \$18,944. This decrease was due to increased transfers to the General Fund to help cover rising employee benefit costs.

The Capital Projects Funds had a decrease of \$163,440 for an ending cash and investment balance of \$1,395,766 due to work on various projects being completed or nearing completion.

Proprietary Funds

The cash and investment balance of the Sanitary Sewer Fund increased \$99,740 to \$1,469,468, due primarily to reduced operating costs this year.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment resulted in an increase in operating disbursements related to various projects. The City had sufficient cash and investment balances and revenue to cover the budget amendment.

The City's receipts were \$1,122,044 less than budgeted. This was primarily due to the City receiving less in intergovernmental receipts than anticipated on capital projects, even after the amendments.

Total disbursements were \$3,235,630 less than the amended budget. Actual disbursements for the capital projects, public works and business type activities functions were \$2,094,027, \$216,676 and \$443,484, respectively, less than the amended budget. This was primarily due to the City's capital projects not proceeding as anticipated, and disbursements for sanitary sewer systems and structures running less than were budgeted.

DEBT ADMINISTRATION

At year-end, the City had approximately \$9,925,000 in bonds and other long-term debt compared to approximately \$11,446,000 last year as shown below:

Outstanding Debt at Year-End (Expressed in Thousands)		
	2011	2010
General obligation bonds	\$ 1,415	\$ 1,585
General obligation notes	4,260	5,015
Revenue bonds and other notes	4,250	4,809
Capital leases	-	37
Total	<u>\$ 9,925</u>	<u>\$ 11,446</u>

Debt decreased as a result of scheduled bond payments.

The City's general obligation bond rating has been A2 since 1999. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to five percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,675,000 is well below the City's \$24.4 million debt limit.

More detailed information about the City's long-term liabilities is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2012 fiscal year budget. One of those factors is the economy. Unemployment in Mahaska County as of June, 2011 stood at 6.6 percent versus 7.5 percent in 2010. This compares with the state's unemployment rate of 6.0 percent.

These indicators were taken into account when adopting the budget for 2012. Budgeted intergovernmental revenues and capital project disbursements are expected to increase approximately \$1.59 million and \$1.29 million, respectively. If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$980,000 by the close of 2012.

REQUESTS FOR INFORMATION

These financial statements and discussions are designed to provide our citizens, taxpayers, investors and creditors with a complete disclosure of the City's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, please write Amy Miller, Finance Director, 220 South Market Street, Oskaloosa, Iowa 52577.

City of Oskaloosa

Basic Financial Statements

CITY OF OSKALOOSA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 2,464,926	\$ 60,320	\$ 222,958	\$ -
Public works	1,102,474	4,079	1,160,183	-
Culture and recreation	1,052,142	102,283	175,597	-
Community and economic development	1,251,184	78,309	102,674	-
General government	661,337	359,444	10,713	-
Debt service	1,142,933	237,550	-	-
Capital projects	205,535	-	-	334,043
Total governmental activities	<u>7,880,531</u>	<u>841,985</u>	<u>1,672,125</u>	<u>334,043</u>
Business type activities:				
Sewer	1,828,185	1,602,320	5,259	-
Other	659,021	354,536	236,277	9,191
Total business type activities	<u>2,487,206</u>	<u>1,956,856</u>	<u>241,536</u>	<u>9,191</u>
Total	<u><u>\$10,367,737</u></u>	<u><u>\$2,798,841</u></u>	<u><u>\$1,913,661</u></u>	<u><u>\$ 343,234</u></u>

General receipts and transfers:

- Property taxes levied for:
 - General purposes
 - Debt service
- Tax increment financing
- Local option sales tax
- Other taxes
- Unrestricted investment earnings
- Miscellaneous
- Sale of capital assets
- Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets, beginning of year

Cash basis net assets, end of year

Cash Basis Net Assets

Restricted:

- Expendable:
 - Streets
 - Urban renewal purposes
 - Debt service
 - Other purposes
- Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (2,181,648)	\$ -	\$ (2,181,648)
61,788	-	61,788
(774,262)	-	(774,262)
(1,070,201)	-	(1,070,201)
(291,180)	-	(291,180)
(905,383)	-	(905,383)
128,508	-	128,508
(5,032,378)	-	(5,032,378)
-	(220,606)	(220,606)
-	(59,017)	(59,017)
-	(279,623)	(279,623)
(5,032,378)	(279,623)	(5,312,001)
3,350,424	-	3,350,424
854,335	-	854,335
244,588	-	244,588
941,551	-	941,551
225,569	-	225,569
88,046	4,223	92,269
68,640	10,493	79,133
18,488	-	18,488
(301,127)	301,127	-
5,490,514	315,843	5,806,357
458,136	36,220	494,356
6,628,382	1,847,750	8,476,132
\$ 7,086,518	\$ 1,883,970	\$ 8,970,488
\$ 654,563	\$ -	\$ 654,563
4,696	-	4,696
271,559	535,946	807,505
3,474,389	-	3,474,389
2,681,311	1,348,024	4,029,335
\$ 7,086,518	\$ 1,883,970	\$ 8,970,488

CITY OF OSKALOOSA

Statement of Cash Receipts, Disbursements and Changes in Cash and Investment Balances Governmental Funds

As of and for the year ended June 30, 2011

		Special	
	General	Road Use Tax	Library Maintenance
Receipts:			
Property tax	\$2,485,626	\$ -	\$ -
Tax increment financing	-	-	-
Other City tax	82,355	-	-
Licenses and permits	258,480	-	-
Use of money and property	12,995	-	47,582
Intergovernmental	197,158	1,015,778	-
Charges for service	136,067	-	-
Special assessments	-	-	-
Miscellaneous	159,830	-	-
Total receipts	3,332,511	1,015,778	47,582
Disbursements:			
Operating:			
Public safety	2,346,795	-	-
Public works	126,226	826,200	-
Culture and recreation	781,453	-	95,833
Community and economic development	100,801	-	-
General government	626,645	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	3,981,920	826,200	95,833
Excess (deficiency) of receipts over (under) disbursements	(649,409)	189,578	(48,251)
Other financing sources (uses):			
Sale of capital assets	12,000	-	-
Operating transfers in	984,095	-	-
Operating transfers out	(3,171)	(13,293)	-
Total other financing sources (uses)	992,924	(13,293)	-
Net change in cash and investment balances	343,515	176,285	(48,251)
Cash and investment balances, beginning of year	1,709,106	478,278	1,198,345
Cash and investment balances, end of year	\$ 2,052,621	\$ 654,563	\$ 1,150,094
Cash Basis Fund Balances			
Restricted for:			
Urban renewal purposes	\$ -	\$ -	\$ -
Debt service	-	-	-
Streets	-	654,563	-
Other purposes	-	-	1,150,094
Unassigned	2,052,621	-	-
Total cash basis fund balances	\$ 2,052,621	\$ 654,563	\$ 1,150,094

See notes to financial statements.

Revenue					
Local Option Sales and Service Tax Revenue	Employee Benefits	Debt Services	Capital Projects	Nonmajor	Total
\$ -	\$ 786,135	\$ 854,335	\$ -	\$78,663	\$ 4,204,759
-	-	-	-	244,588	244,588
941,551	26,090	27,744	-	89,379	1,167,119
-	-	-	-	-	258,480
-	732	8,351	4,383	18,159	92,202
-	-	-	50,829	257,570	1,521,335
-	-	-	-	3,785	139,852
-	-	237,550	1,952	-	239,502
-	-	-	276,879	199,803	636,512
941,551	812,957	1,127,980	334,043	891,947	8,504,349
-	-	-	-	118,132	2,464,927
-	-	-	-	145,875	1,098,301
-	-	-	-	174,854	1,052,140
941,551	-	-	-	208,832	1,251,184
-	-	-	-	1,500	628,145
-	-	1,142,933	-	-	1,142,933
-	-	-	205,535	-	205,535
941,551	-	1,142,933	205,535	649,193	7,843,165
-	812,957	(14,953)	128,508	242,754	661,184
-	-	-	4,249	2,240	18,489
-	-	216,708	13,293	11,562	1,225,658
-	(900,387)	-	(309,490)	(300,444)	(1,526,785)
-	(900,387)	216,708	(291,948)	(286,642)	282,638
-	(87,430)	201,755	(163,440)	(43,888)	378,546
-	106,374	69,804	1,559,206	952,216	6,073,329
\$ -	\$ 18,944	\$ 271,559	\$ 1,395,766	\$ 908,328	\$ 6,451,875
\$ -	\$ -	\$ -	\$ -	\$ 4,696	\$ 4,696
-	-	271,559	-	-	271,559
-	-	-	-	-	654,563
-	18,944	-	1,395,766	909,586	3,474,390
-	-	-	-	(5,954)	2,046,667
\$ -	\$ 18,944	\$ 271,559	\$ 1,395,766	\$ 908,328	\$ 6,451,875

CITY OF OSKALOOSA

Reconciliation of the Statement of Cash Receipts,
Disbursements and Changes in Cash and Investment Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2011

Total governmental funds cash and investment balances (pages 18-19) \$ 6,451,875

***Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the equipment replacement. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

634,643

Cash basis net assets of governmental activities (pages 16-17) \$ 7,086,518

Net change in cash and investment balances (pages 18-19) \$ 378,546

***Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of employee health benefits, flex plan and copier usage to individual funds. An allocation of the change in net assets of the Internal Service Fund is reported with governmental activities.

79,590

Change in cash and investment balance of governmental activities (pages 16-17) \$ 458,136

See notes to financial statements.

CITY OF OSKALOOSA

Statement of Cash Receipts, Disbursements and
Changes in Cash and Investment Balances
Proprietary Funds

As of and for the year ended June 30, 2011

	Enterprise Funds			
	Sanitary Sewer	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating receipts:				
Charges for service	\$1,593,588	\$ 354,536	\$ 1,948,124	\$ 747,301
Use of money and property	5,258	236,278	241,536	2,491
Special assessments	8,733	-	8,733	-
Miscellaneous	-	-	-	124,725
Total operating receipts	1,607,579	590,814	2,198,393	874,517
Operating disbursements:				
Business type activities	752,164	505,329	1,257,493	-
Non program	-	-	-	804,299
Total operating disbursements	752,164	505,329	1,257,493	804,299
Excess (deficiency) of operating receipts over (under) operating disbursements	855,415	85,485	940,900	70,218
Non-operating receipts (disbursements):				
Intergovernmental	-	9,191	9,191	-
Interest on investments	-	4,223	4,223	-
Miscellaneous	857	7,637	8,494	-
Sale of equipment	-	2,000	2,000	-
Capital projects	(360,732)	(110,710)	(471,442)	-
Debt service	(711,117)	(37,784)	(748,901)	-
Net non-operating (disbursements)	(1,070,992)	(125,443)	(1,196,435)	-
Excess (deficiency) of receipts over (under) disbursements	(215,577)	(39,958)	(255,535)	70,218
Other financing sources (uses)				
Operating transfers in	319,903	-	319,903	-
Operating transfers out	(4,586)	(14,190)	(18,776)	-
Total other financing sources (uses)	315,317	(14,190)	301,127	-
Net change in cash and investment balances	99,740	(54,148)	45,592	70,218
Cash and investment balances, beginning of year	1,369,728	480,305	1,850,033	552,770
Cash and investment balances, end of year	\$ 1,469,468	\$ 426,157	\$ 1,895,625	\$ 622,988
Cash Basis Fund Balances				
Restricted for debt service	\$ 482,713	\$ -	\$ 482,713	\$ -
Unrestricted	986,755	426,157	1,412,912	622,988
Total cash basis fund balances	\$ 1,469,468	\$ 426,157	\$ 1,895,625	\$ 622,988

See notes to financial statements.

CITY OF OSKALOOSA

Reconciliation of the Statement of Cash Receipts, Disbursements and
Changes in Cash and Investment Balances to the Statement of Activities and Net Assets
Proprietary Funds

As of and for the year ended June 30, 2011

Total enterprise funds cash and investment balances (page 21) \$ 1,895,625

*Amounts reported for business type activities in the statement of activities
and net assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits and copier usage to individual funds. A portion of assets of the Internal Service Fund are included in the business type activities in the statement of net assets.

(11,655)

Cash basis net assets of business type activities (page 16-17) \$ 1,883,970

Net changes in cash and investment balances (page 21) \$ 45,592

*Amounts reported for business type activities in the statement of activities
and net assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits, flex plan and copier usage to individual funds. An allocation of the change in net assets of the Internal Service Fund is reported with business type activities.

(9,372)

Change in cash basis net assets of business type activities (page 16-17) \$ 36,220

See notes to financial statements.

CITY OF OSKALOOSA

Notes to Financial Statements

June 30, 2011

(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Nature of operations:

The City of Oskaloosa, Iowa (City), is a political subdivision of the State of Iowa located in Mahaska County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides an airport, golf course and sewer services.

B. Reporting entity:

Accounting principles generally accepted in the United States of America require the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City of Oskaloosa, Iowa is a municipal corporation and has the exclusive responsibility and accountability for the decisions it makes. The City has the statutory authority to adopt its own budget, to levy taxes and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, the City is considered a primary government.

The financial statements present only the City of Oskaloosa, Iowa (the primary government). The financial statements do not include the component units of the City. The entities discussed below are component units of the City because of the significance of their operational or financial relationship with the City. Complete financial statements of the individual component units, which issue separate audited financial statements, can be obtained from their respective administrative offices.

The Municipal Waterworks Utility is a separate legal entity. However, it is financially accountable to the City. The Utility is governed by a three-member board appointed by the Mayor and subject to approval by the City Council and its operating budget is subject to the approval of the City Council. The Municipal Waterworks issues separate audited cash basis financial statements with a fiscal year-end of June 30, which are available at their administrative office.

The Oskaloosa Municipal Housing Agency is a separate legal entity. However, it is financially accountable to the City. The Agency is governed by a five-member board appointed by the Mayor and subject to the approval by the City Council and its operating budget is subject to the approval of the City Council. The Oskaloosa Municipal Housing Agency issues separate audited financial statements with a fiscal year-end of September 30, which are available at their administrative office.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2011

(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of presentation:

The government-wide financial statement reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The statement of activities and net assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor government funds.

The City reports the following major governmental funds:

The General Fund is the government's general operating fund. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is utilized to account for receipt of the allocation from the state of excise taxes on motor fuel and other transportation related sources, to be used for construction, maintenance and supervision of the public streets.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2011

(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of presentation - continued:

The Library Maintenance Fund was established with Local Option Sales and Service Tax. The fund is used to preserve and maintain the library facility and its functions and equipment as renovated, expanded, established and reopened to the public in 1997.

The Local Option Sales and Service Tax Revenue Fund is utilized to account for the revenues from the State and Local Option Sales and Service Tax and the expenditure of those funds for the specific purpose as set forth in the referendum.

The Employee Benefits Fund is utilized to account for tax receipts expended for employee benefits.

The Debt Service Fund is utilized to account for payment of interest, principal and fees on the City's general long-term debt.

The Capital Projects Fund, is used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary fund:

The Sanitary Sewer Fund is used to account for operations of providing sanitary sewer services.

The City also reports the following additional proprietary funds:

The Internal Service Funds are used to finance and account for services and commodities provided by designated departments or agencies to other departments or agencies of the City on a cost-reimbursement basis.

D. Significant accounting policies:

The City of Oskaloosa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2011

(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Significant accounting policies - continued:

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances can be classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

Property Taxes: All City property taxes must be certified to the Mahaska County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. Property taxes are levied in June and attached as an enforceable lien on the property on July 1.

Property taxes levied for the year ending June 30, 2011, attached as an enforceable lien on July 1, 2010, with the first half installment being delinquent after September 30, 2010 and the second half installment being delinquent after March 31, 2011.

Investments: Investments are stated at cost. The City invests in the Iowa Public Agency Investment Trust which is a 2a7-like pool and other debt securities. The Iowa Public Agency Investment Trust is a common law trust established under Iowa Code law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

Proprietary Funds: Enterprise funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements and which apply to the comprehensive basis of accounting used.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2011

(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Significant accounting policies - continued:

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative expenses. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

(2) BUDGETS AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds combined except for internal service funds. The annual budget may be amended during the year utilizing similar statutory prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund or fund type. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities.

Appropriations as adopted or amended lapse at the end of the fiscal year.

(3) DEPOSITS AND INVESTMENTS

The City's deposit and investment accounts as of June 30, 2011 consist of the following:

Deposit and Investment Type	Investment Maturities (in years)				
	Cost	Less than 1	1 to 5	6 to 10	More than 10
Petty cash	\$ 580	\$ -	\$ -	\$ -	\$ -
Checking, savings and money market	5,119,423	-	-	-	-
Debt securities	1,419,297	-	-	52,100	1,367,197
Iowa Public Agency Investment Trust	2,431,188	-	-	-	-
Total	\$ 8,970,488	\$ -	\$ -	\$ 52,100	\$1,367,197

Interest rate risk: As a means of limiting its exposure to fair value losses arising from changing interest rates, the City's investment policy requires operating funds to be invested in instruments that mature within three hundred ninety-seven days. Operating funds are defined as funds which are reasonably expected to be expended during a current budget year or within fifteen months of receipt. All nonoperating funds may be invested in investments with maturities longer than three hundred ninety-seven days.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2011

(3) DEPOSITS AND INVESTMENTS - CONTINUED

Authorized investments and credit risk: The City is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; commercial paper or other short-term commercial debt that mature within two hundred and seventy days and meet certain classification ratings; repurchase agreements with collateral consisting of investment obligations of the United States government; open-end management investment companies registered with the federal securities and exchange commission; and certain joint investments trusts. The City has no policy that would further limit its investment choices. The City's investment in the Iowa Public Agency Investment Trust is unrated.

As of June 30, 2011, the City's debt securities were rated as follows:

Investment type	Moody's Investor's Service	Standard & Poor's (a)	Cost	Fair Value
FHLB	Aaa	AAA	\$ 231,700	\$ 241,718
FNMA	Aaa	AAA	245,710	239,965
FHLMC	Aaa	AAA	410,500	402,220
FFCB	Aaa	AAA	266,646	267,117
TVA	Aaa	AAA	264,741	265,698
			<u>\$ 1,419,297</u>	<u>\$ 1,416,718</u>

(a) Downgraded to AA effective August 8, 2011 on all investments listed.

Concentration of credit risk: The City's general investment policy requires the Treasurer of the City of Oskaloosa to exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use to attain the investment objectives and to consider the role that each investment or deposit plays within the portfolio of assets of the City. More than 5 percent of the City's investments are in the Iowa Public Agency Investment Trust, FNMA, FHLB, FHLMC, FFCB and TVA. These investments are 64 percent, 6 percent, 6 percent, 11 percent, 7 percent and 6 percent, respectively, of the City's \$3,850,485 total investments. All of the debt securities investments are reported in the Library Maintenance Fund and the Library Memorial Fund, both special revenue funds.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2011, the City's investments are held in the City's name. It is the City's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Chapter 12c of the Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2011, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2011

(4) LONG-TERM DEBT

The following is a summary of the changes in the outstanding long-term debt of the City for the year ended June 30, 2011:

	Balance June 30, 2010	Issued	Redeemed	Balance June 30, 2011
Governmental Activities				
General obligation bonds	\$ 1,585,000	\$ -	\$ 170,000	\$1,415,000
General obligation notes	5,015,000	-	755,000	4,260,000
	<u>\$ 6,600,000</u>	<u>\$ -</u>	<u>\$ 925,000</u>	<u>\$5,675,000</u>
Business Type Activities				
Revenue bonds and other notes	\$ 4,808,286	\$ -	\$ 558,286	\$4,250,000
Capital leases	37,279	-	37,279	-
	<u>\$ 4,845,565</u>	<u>\$ -</u>	<u>\$ 595,565</u>	<u>\$4,250,000</u>

Interest rates range from 1.50% to 4.30% on bonds and notes. The City paid \$364,523 in interest on debt obligations for the year ended June 30, 2011.

On June 30, 2011, the general obligation debt issued by the City did not exceed its legal debt margin compiled as follows:

Assessed valuation		<u>\$ 487,532,161</u>
Debt limit - 5% of total valuation		\$ 24,376,608
Debt applicable to debt limit:		
General obligation bonds	\$ 1,415,000	
General obligation notes	<u>4,260,000</u>	<u>5,675,000</u>
Legal debt margin		<u>\$ 18,701,608</u>

A summary of the City's June 30, 2011 general obligation bonds, general obligation notes, revenue bonds and revenue capital loan notes principal and interest maturities is as follows:

Year Ending June 30,	Total General Obligation Bonds		Total General Obligation Notes	
	Principal	Interest	Principal	Interest
2012	\$ 175,000	\$ 53,457	\$ 660,000	\$ 133,950
2013	185,000	46,983	580,000	117,410
2014	190,000	40,137	600,000	103,425
2015	205,000	33,108	535,000	87,363
2016	210,000	25,420	220,000	72,253
2017-2021	450,000	26,410	1,135,000	242,382
2022-2026	-	-	530,000	32,000
Total	<u>\$ 1,415,000</u>	<u>\$ 225,515</u>	<u>\$ 4,260,000</u>	<u>\$ 788,783</u>

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2011

(4) LONG-TERM DEBT - CONTINUED

Year Ending June 30,	Total General Revenue Bonds		Total Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 184,000	\$ 86,160	\$ 368,000	\$ 43,485	\$ 1,387,000	\$ 317,052
2013	189,000	80,640	210,000	30,300	1,164,000	275,333
2014	195,000	74,970	217,000	24,000	1,202,000	242,532
2015	201,000	69,120	225,000	17,490	1,166,000	207,081
2016	207,000	63,090	177,000	10,740	814,000	171,503
2017-2021	1,132,000	218,490	181,000	5,430	2,898,000	492,712
2022-2026	764,000	46,290	-	-	1,294,000	78,290
Total	<u>\$ 2,872,000</u>	<u>\$ 638,760</u>	<u>\$ 1,378,000</u>	<u>\$ 131,445</u>	<u>\$ 9,925,000</u>	<u>\$ 1,784,503</u>

The resolutions provided for the issuance of the sewer revenue bonds and revenue capital loan notes include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- B. Sufficient monthly transfers shall be made to a sanitary sewer sinking account for the purpose of making the bond principal and interest payments when due.
- C. Sufficient monthly transfers to the sanitary sewer reserve account shall be made until a specific minimum balance has been accumulated. This account is restricted for the purpose of making bond principal and interest payments should there be insufficient funds available in the sinking account. As of June 30, 2011, \$482,713 of cash and investments is in the reserve account.
- D. The City must establish and maintain a sewer improvements account. Money in the improvement account, not otherwise specifically limited by other provisions, shall be used solely for the purpose of paying principal of or interest on the bonds when there is insufficient money in the sinking account and the reserve account; and to the extent not required for the foregoing, to pay the cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget; payments of rentals on any part of the system or payments due for any property purchased as part of the system and for capital improvements to the system. As of June 30, 2011, \$54,183 of cash and investments is in the improvement account.
- E. All amounts remaining in the sanitary sewer revenue account after the payment of all maintenance and operating expenses and required transfers shall be placed in the sanitary sewer surplus revenue fund. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for bond and interest payments which the other accounts might be unable to make.
- F. The City must maintain net sewer revenues of at least 110 percent of the next fiscal year's debt service payment.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2011

(4) LONG-TERM DEBT - CONTINUED

The Iowa Finance Authority loaned the City \$1,515,000 on March 31, 1994; \$2,671,000 on February 16, 1996; \$1,585,000 on November 27, 2002; and \$4,017,000 on December 6, 2002, which are evidenced by the issue of Sewer Revenue Bonds and Sewer Revenue Capital Loan Notes for the other issues. Principal and interest payments on the Iowa Department of Natural Resources loans are treated as payments on the Revenue Bonds and Notes.

Compensated Absences:

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for earned compensated absences payable to employees and the benefits that would be payable on this liability as of June 30, 2011 primarily relating to the General, Road Use Tax and Sanitary Sewer Funds, is as follows:

Type of Benefit:	
Vacation	\$ 107,154
Sick leave	677,822
Comp time	<u>25,814</u>
Total	<u>\$ 810,790</u>

The liability has been computed based on rates of pay in effect at June 30, 2011.

Sick leave is payable for fire and police union employees when used or upon full service retirement or death. Other union employees are payable upon retirement, 20 years of full time employment or death. Nonunion employees are payable upon twenty years of service or death. If paid upon retirement or death, half or one-quarter of the total accumulated hours are paid at the then effective hourly rate for that employee. Based on this computation, the maximum accumulated sick leave payable would be approximately \$324,000 as of June 30, 2011.

(5) PENSION AND RETIREMENT SYSTEMS

Two retirement systems, the Iowa Public Employee Retirement System (IPERS) and the Municipal Fire and Police Retirement System of Iowa are in effect for employees of the City. Each of the systems is required by state law to be funded on an actuarial basis, by contributions sufficient to fully fund benefits being credited. One employee, the City Manager, is not covered by the systems mentioned previously, but is covered under the International City Management Association Retirement Corporation (ICMA). All systems are contributory and all full-time employees must participate in one of the retirement systems.

IPERS:

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the state of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2011

(5) PENSION AND RETIREMENT SYSTEMS - CONTINUED

Most regular Plan members are required to contribute 4.50 percent of their annual covered salary and the City is required to contribute 6.95 percent of annual covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$104,425, \$107,589 and \$105,192, respectively, which meet the required minimum contribution each year.

Municipal Fire and Police Retirement System of Iowa:

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Moines, Iowa 50266.

Plan members are required to contribute 9.40 percent of earnable compensation and the City's contribution rate cannot be less than 19.9 percent of earnable compensation for the year ended June 30, 2011. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2011, 2010, and 2009 were \$234,057, \$189,291, and \$203,506, respectively, which met the required contribution for each year.

(6) RISK MANAGEMENT AND SELF-INSURED MEDICAL PLAN

The City of Oskaloosa, Iowa has a self-insured Health Care Plan for City employees accounted for in the internal service fund. A fixed monthly fee per participating employee is paid to an insurance administrative company to administer the Plan and evaluate claims. The funds of the City are charged a premium based on a range of rates recommended by the third party administrator.

The City escrows funds each month to be used to pay medical claims incurred. The maximum exposure to the City for claims incurred is limited by the "Stop-loss" feature of the Plan. The maximum exposure for one individual, excluding listed exceptions, in a twelve-month period is \$40,000. The maximum aggregate excess risk insurance is \$1,000,000 per policy period and the maximum specific excess risk insurance per covered person is \$2,000,000 per lifetime.

As of June 30, 2011, the Plan held \$620,300 in cash and investments. The estimate of the claims liability was \$126,000 for June 30, 2011 and \$111,000 for June 30, 2010, and includes claims reported but not settled and those incurred but not reported. Claim payments, net of Stop-loss reimbursements as of June 30, 2011 and 2010 were \$472,381 and \$513,274, respectively.

The City of Oskaloosa is also exposed to various risks related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2011

(7) DEFICIT CASH BALANCE

On June 30, 2011, the individual funds with a deficit balance were as follows:

Special Revenue	
Miscellaneous Grants	\$ (5,954)
Enterprise:	
Edmundson Golf Course	\$ (62,397)

This temporary cash shortfall is financed through short-term advances made by other funds within the fund type.

(8) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue	
	Employee Benefits	\$ 900,387
	Emergency	81,273
	Housing	1,190
	Miscellaneous Grants	1,245
		<u>984,095</u>
Special Revenue	General Fund	
Miscellaneous Grant Funds		<u>685</u>
Housing Fund	Special Revenue	
	Home ADDI Funds	<u>28</u>
Disaster Relief - Floods	Enterprise	
	Sanitary Sewer	4,586
	Airport	1,792
	Storm Water	1,985
		<u>8,363</u>
Fire Dept - FEMA Grant	General Fund	<u>2,486</u>
Capital Projects	Special Revenue	
	Road Use Tax	<u>13,293</u>

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2011

(8) INTERFUND TRANSFERS - CONTINUED

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue Tax Increment Financing	<u>216,708</u>
Enterprise Sanitary Sewer	Capital Projects Enterprise Storm Water	309,490 <u>10,413</u> <u>319,903</u>
Total		<u>\$ 1,545,561</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(9) POST-EMPLOYMENT BENEFITS

Employees who resign or their employment is terminated (for reasons other than gross misconduct on their part), or if work hours are reduced, and consequently the employee's dependents are no longer eligible to participate in the group health insurance are offered the following post-employment benefit option:

Health insurance - The option of continuing with the City's health insurance plan at the employee's own cost for up to eighteen months. If the employee is determined to be disabled under the Social Security Act at the time of their termination or reduction in hours, they may be entitled to continuation coverage for up to twenty-nine months.

There are 58 active, and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a self funded plan with stop loss coverage through Sun Life and Health Insurance Company Central States. Retirees under age 65 pay the similar premiums for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go-basis. The most recent active member monthly premiums for the City and plan members are \$483 for single coverage and \$1,162 for family coverage per month. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$723,485 to the plan.

The City has entered into an agreement with the City Manager which formally indentifies the financial obligation of the City to them in the event of an involuntary employment termination. The severance agreement provides for a termination payment equal to nine months of wages plus nine months of medical insurance benefits. The compensation rate is based upon the compensation paid to the applicable employee at the time of termination.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2011

(10) CONSTRUCTION COMMITMENTS

The City has several construction commitments to be financed from capital projects funds. The total outstanding construction commitments of the City as of June 30, 2011 is approximately \$356,300.

(11) RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$6,240 during the year ended June 30, 2011.

(12) SUBSEQUENT EVENTS

The City has evaluated all subsequent events through October 19, 2011, the date the financial statements were available to be issued.

City of Oskaloosa

Required Supplementary Information

CITY OF OSKALOOSA

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Enterprise Funds Required Supplementary Information Year ended June 30, 2011

	Governmental Funds Actual	Enterprise Funds Actual	Total	Original
Receipts:				
Property tax	\$ 4,204,759	\$ -	\$ 4,204,759	\$ 4,180,753
Tax increment financing collections	244,588	-	244,588	242,411
Other City tax	1,167,119	-	1,167,119	1,077,546
Licenses and permits	258,480	-	258,480	225,900
Uses of money and property	92,202	245,759	337,961	340,753
Intergovernmental	1,521,335	9,191	1,530,526	2,492,066
Charges for service	139,852	1,948,124	2,087,976	4,097,456
Special assessments	239,502	8,733	248,235	-
Miscellaneous	636,512	10,494	647,006	217,534
Total receipts	8,504,349	2,222,301	10,726,650	12,874,419
Disbursements:				
Public safety	2,464,927	-	2,464,927	2,365,533
Public works	1,098,301	-	1,098,301	1,258,816
Culture and recreation	1,052,140	-	1,052,140	1,074,398
Community and economic development	1,251,184	-	1,251,184	2,017,458
General government	628,145	-	628,145	716,495
Debt service	1,142,933	-	1,142,933	1,152,444
Capital projects	205,535	-	205,535	1,428,397
Business type activities	-	2,477,836	2,477,836	4,528,372
Total disbursements	7,843,165	2,477,836	10,321,001	14,541,913
Excess (deficiency) of receipts over (under) disbursements	661,184	(255,535)	405,649	(1,667,494)
Other financing sources (uses), net	(282,638)	301,127	18,489	269,100
Excess (deficiency) of receipts over (under) disbursements and other financing uses	378,546	45,592	424,138	(1,398,394)
Balances beginning of year	6,073,329	1,850,033	7,923,362	8,059,852
Balances end of year	\$ 6,451,875	\$ 1,895,625	\$ 8,347,500	\$ 6,661,458

See accompanying independent auditor's report.

Budgeted Amounts			Final to Actual Variance- Positive (Negative)
Final	Adjustment (1) See Page 40	Adjusted Final	
\$ 4,180,753	\$ -	\$ 4,180,753	\$ 24,006
242,411	-	242,411	2,177
1,188,056	-	1,188,056	(20,937)
226,700	-	226,700	31,780
361,553	(33,760)	327,793	10,168
3,397,454	(850,960)	2,546,494	(1,015,968)
4,074,050	(1,956,044)	2,118,006	(30,030)
7,611	-	7,611	240,624
1,017,870	(7,000)	1,010,870	(363,864)
14,696,458	(2,847,764)	11,848,694	(1,122,044)
2,606,379	-	2,606,379	141,452
1,314,977	-	1,314,977	216,676
1,187,271	-	1,187,271	135,131
2,214,099	(921,200)	1,292,899	41,715
791,288	-	791,288	163,143
1,142,935	-	1,142,935	2
2,299,562	-	2,299,562	2,094,027
5,593,254	(2,671,934)	2,921,320	443,484
17,149,765	(3,593,134)	13,556,631	3,235,630
(2,453,307)	745,370	(1,707,937)	2,113,586
720,394	(712,084)	8,310	10,179
(1,732,913)	33,286	(1,699,627)	2,123,765
9,673,295	-	9,673,295	(1,749,933)
\$ 7,940,382	\$ 33,286	\$ 7,973,668	\$ 373,832

CITY OF OSKALOOSA

Required Supplemental Information

Notes To Required Supplementary Information - Budgetary Reporting

June 30, 2011

The budgetary comparison schedule is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except internal service funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon eight major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,607,852. The budget amendment is reflected in the final budget amount.

- (1) Budgeted items for component units of the Housing Agency and Waterworks utility are removed because related actual receipts and disbursements are not included, see Note 1.

Other Supplementary Information

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and Changes in Cash and Investment Balances Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

				Special Urban Renewal Tax Increment
	I-Jobs	Hotel Motel Tax	Emergency	
Receipts:				
Property tax	\$ -	\$ -	\$ 78,663	\$ -
Tax increment financing	-	-	-	244,588
Other City tax	-	86,769	2,610	-
Use of money and property	268	-	-	686
Intergovernmental	58,655	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	58,923	86,769	81,273	245,274
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	59,206	-	-	-
Culture and recreation	-	86,769	-	-
Community and economic development	-	-	-	63,774
General government	-	-	-	-
Total disbursements	59,206	86,769	-	63,774
Excess (deficiency) of receipts over (under) disbursements	(283)	-	81,273	181,500
Operation financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(81,273)	(216,708)
Total other financing sources (uses)	-	-	(81,273)	(216,708)
Net change in cash balances	(283)	-	-	(35,208)
Cash and investment balances beginning of year	283	-	-	39,904
Cash and investment balances end of year	\$ -	\$ -	\$ -	\$ 4,696
Cash Basis Fund Balances				
Restricted for:				
Urban renewal	\$ -	\$ -	\$ -	\$ 4,696
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total cash basis fund balances	\$ -	\$ -	\$ -	\$ 4,696

See accompanying independent auditor's report.

Revenue						
2009 IFA State Housing	Housing Donated Funds	Housing Fund	Home ADDI	Grant & Lincoln School Dev	2010 IFA State Housing	Riefe Memorial Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,838	-	-	-	126
-	-	-	196	-	-	-
-	-	3,290	-	-	-	-
-	-	86,262	-	-	-	-
-	-	91,390	196	-	-	126
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	24,698
4,290	28,492	45,865	302	1,226	48,667	-
-	-	-	-	-	-	-
4,290	28,492	45,865	302	1,226	48,667	24,698
(4,290)	(28,492)	45,525	(106)	(1,226)	(48,667)	(24,572)
-	-	-	-	-	-	-
-	-	28	-	-	-	-
-	-	(1,190)	(28)	-	-	-
-	-	(1,162)	(28)	-	-	-
(4,290)	(28,492)	44,363	(134)	(1,226)	(48,667)	(24,572)
4,290	79,092	189,956	134	25,735	57,080	91,575
\$ -	\$ 50,600	\$ 234,319	\$ -	\$ 24,509	\$ 8,413	\$ 67,003
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	50,600	234,319	-	24,509	8,413	67,003
-	-	-	-	-	-	-
\$ -	\$ 50,600	\$ 234,319	\$ -	\$ 24,509	\$ 8,413	\$ 67,003

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and Changes in Cash and Investment Balances Nonmajor Governmental Funds - Continued

As of and for the year ended June 30, 2011

	Public Library Memorial	Miscellaneous Gifts	Drug Control Safety Program	Special Wooden Playground Maintenance
Receipts:				
Property tax	\$ -	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	-
Other City tax	-	-	-	-
Use of money and property	14,925	172	1	18
Intergovernmental	-	-	-	-
Charges for services	495	-	-	-
Miscellaneous	87,765	3,320	240	6,000
Total receipts	103,185	3,492	241	6,018
Disbursements:				
Operating:				
Public safety	-	15,343	973	-
Public works	-	-	-	-
Culture and recreation	38,677	3,141	-	1,081
Community and economic development	-	-	-	-
General government	-	1,500	-	-
Total disbursements	38,677	19,984	973	1,081
Excess (deficiency) of receipts over (under) disbursements	64,508	(16,492)	(732)	4,937
Operation financing sources (uses):				
Sale of capital assets	2,240	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	2,240	-	-	-
Net change in cash balances	66,748	(16,492)	(732)	4,937
Cash and investment balances beginning of year	383,908	54,705	788	784
Cash and investment balances end of year	\$ 450,656	\$ 38,213	\$ 56	\$ 5,721
Cash Basis Fund Balances				
Restricted for:				
Urban renewal	\$ -	\$ -	\$ -	\$ -
Other purposes	450,656	38,213	56	5,721
Unassigned	-	-	-	-
Total cash basis fund balances	\$ 450,656	\$ 38,213	\$ 56	\$ 5,721

See accompanying independent auditor's report.

Revenue						
Police Forfeiture	Fire Dept FEMA Grant	Miscellaneous Grants	Disaster Relief Floods	Preserve America Grant	WFP Rise Payment	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,663
-	-	-	-	-	-	244,588
-	-	-	-	-	-	89,379
24	-	27	74	-	-	18,159
-	39,858	52,622	85,751	20,488	-	257,570
-	-	-	-	-	-	3,785
-	-	-	-	-	16,216	199,803
24	39,858	52,649	85,825	20,488	16,216	891,947
1,670	49,755	50,391	-	-	-	118,132
-	-	18,515	68,154	-	-	145,875
-	-	-	-	20,488	-	174,854
-	-	-	-	-	16,216	208,832
-	-	-	-	-	-	1,500
1,670	49,755	68,906	68,154	20,488	16,216	649,193
(1,646)	(9,897)	(16,257)	17,671	-	-	242,754
-	-	-	-	-	-	2,240
-	2,486	685	8,363	-	-	11,562
-	-	(1,245)	-	-	-	(300,444)
-	2,486	(560)	8,363	-	-	(286,642)
(1,646)	(7,411)	(16,817)	26,034	-	-	(43,888)
5,708	7,411	10,863	-	-	-	952,216
\$ 4,062	\$ -	\$ (5,954)	\$ 26,034	\$ -	\$ -	\$ 908,328
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,696
4,062	-	-	26,034	-	-	909,586
-	-	(5,954)	-	-	-	(5,954)
\$ 4,062	\$ -	\$ (5,954)	\$ 26,034	\$ -	\$ -	\$ 908,328

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and Changes
in Cash and Investment Balances (Deficit)
Nonmajor Enterprise Funds

As of and for the year ended June 30, 2011

	Airport	Storm Water	Edmundson Golf Course	RACI Main Street Loans	Total
Operating receipts:					
Charges for service	\$ -	\$ 225,610	\$ 128,926	\$ -	\$ 354,536
Use of money and property	175,293	-	60,985	-	236,278
Total operating receipts	175,293	225,610	189,911	-	590,814
Operating disbursements:					
Business type activities	224,208	72,214	208,907	-	505,329
Total operating disbursements	224,208	72,214	208,907	-	505,329
Excess (deficiency) of operating receipts over (under) operating disbursements	(48,915)	153,396	(18,996)	-	85,485
Non-operating receipts (disbursements):					
Intergovernmental	9,191	-	-	-	9,191
Interest on investments	2,221	1,951	-	51	4,223
Miscellaneous	7,529	-	108	-	7,637
Sale of equipment	2,000	-	-	-	2,000
Capital projects	-	(110,710)	-	-	(110,710)
Debt Service	-	-	(37,784)	-	(37,784)
Net non-operating receipts (disbursements)	20,941	(108,759)	(37,676)	51	(125,443)
Excess (deficiency) of receipts over (under) disbursements	(27,974)	44,637	(56,672)	51	(39,958)
Other financing (uses):					
Operating transfers out	(1,792)	(12,398)	-	-	(14,190)
Total other financing (uses)	(1,792)	(12,398)	-	-	(14,190)
Net change in cash and investment balances	(29,766)	32,239	(56,672)	51	(54,148)
Cash and investment balances (deficits) beginning of year	134,093	335,821	(5,725)	16,116	480,305
Cash and investment balances (deficits) end of year	<u>\$ 104,327</u>	<u>\$ 368,060</u>	<u>\$ (62,397)</u>	<u>\$ 16,167</u>	<u>\$ 426,157</u>
Cash Basis Fund Balances (Deficits)					
Unrestricted	<u>\$ 104,327</u>	<u>\$ 368,060</u>	<u>\$ (62,397)</u>	<u>\$ 16,167</u>	<u>\$ 426,157</u>
Total cash basis fund balances(deficits)	<u>\$ 104,327</u>	<u>\$ 368,060</u>	<u>\$ (62,397)</u>	<u>\$ 16,167</u>	<u>\$ 426,157</u>

See accompanying independent auditor's report.

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and
Changes in Cash and Investment Balances
Internal Service Funds

As of and for the year ended June 30, 2011

	Copier/Fax Revolving	Health Insurance	Flex Benefit Plan	Total
Receipts:				
Use of money and property	\$ -	\$ 2,490	\$ 1	\$ 2,491
Charges for services:				
Premiums	-	742,632	-	742,632
Copier and fax services	4,213	-	-	4,213
Miscellaneous	-	-	456	456
Miscellaneous:				
Sale of supplies	237	-	-	237
Flex elections	-	-	27,856	27,856
Refunds/reimbursements	-	96,489	143	96,632
Total receipts	<u>4,450</u>	<u>841,611</u>	<u>28,456</u>	<u>874,517</u>
Disbursements:				
Nonprogram:				
Contractual and contractual services	-	769,777	29,913	799,690
Commodities	4,609	-	-	4,609
Total disbursements	<u>4,609</u>	<u>769,777</u>	<u>29,913</u>	<u>804,299</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(159)	71,834	(1,457)	70,218
Cash and investment balances, beginning of year	<u>243</u>	<u>548,500</u>	<u>4,027</u>	<u>552,770</u>
Cash and investment balances, end of year: unrestricted	<u>\$ 84</u>	<u>\$ 620,334</u>	<u>\$ 2,570</u>	<u>\$ 622,988</u>

See accompanying independent auditor's report.

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and Changes in Cash and Investment Balances Capital Projects Fund

As of and for the year ended June 30, 2011

	Park Shelter Cap Improvement	City Hall Window Project	Child Care Center	Energy Efficiency Grant	Highway 63 North Underpass	2008 Bond Green St
Receipts:						
Use of money and property	\$ 4,269	\$ 28	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	3,921	13,293	9,986	-
Special assessments	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total receipts	4,269	28	3,921	13,293	9,986	-
Disbursements	1,819	213	3,921	26,586	9,986	32,599
Excess (deficiency) of receipts over (under) disbursements	2,450	(185)	-	(13,293)	-	(32,599)
Other financing sources (uses):						
Sale of capital assets	-	4,249	-	-	-	-
Operating transfers in	-	-	-	13,293	-	32,599
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	4,249	-	13,293	-	32,599
Net change in cash balances	2,450	4,064	-	-	-	-
Cash and investment balances, beginning of year	4,990	3,414	-	-	-	-
Cash and investment balances, end of year: restricted	\$ 7,440	\$ 7,478	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

Downtown Streetscape Project	Sidewalk Improvement Project	North I & M Avenue West Project	2008 G.O Bond	Intrafund Transfers Elimination	Total
\$ -	\$ 86	\$ -	\$ -	\$ -	\$ 4,383
-	-	23,629	-	-	50,829
-	1,952	-	-	-	1,952
-	-	276,879	-	-	276,879
-	2,038	300,508	-	-	334,043
38,211	-	80,872	11,328	-	205,535
(38,211)	2,038	219,636	(11,328)	-	128,508
-	-	-	-	-	4,249
-	-	56,406	376,588	(465,593)	13,293
(100,546)	-	(276,042)	(398,495)	465,593	(309,490)
(100,546)	-	(219,636)	(21,907)	-	(291,948)
(138,757)	2,038	-	(33,235)	-	(163,440)
138,757	14,060	-	1,397,985	-	1,559,206
\$ -	\$ 16,098	\$ -	\$ 1,364,750	\$ -	\$ 1,395,766

CITY OF OSKALOOSA

Schedule of Indebtedness

Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
Ind. Park Street, RR crossings, Downtown Streetscaping	Dec 6, 2006	3.70 - 3.90%	\$ 1,955,000
General Obligation Notes:			
Refunding	Feb 15, 2003	3.30 - 3.50%	\$ 1,505,000
Refunding	Apr 23, 2008	3.10 - 3.30%	1,065,000
Refunding	Apr 29, 2010	1.50 - 2.00%	1,405,000
Equipment and street construction	May 1, 2008	3.50 - 4.00%	3,000,000
Revenue Bonds and Other Notes:			
Sewer capital loan notes	Mar 31, 1994	3.00%	\$ 1,515,000
Sewer capital loan notes	Feb 16, 1996	3.00%	2,671,000
Sewer revenue refunding capital loan notes	Nov 27, 2002	4.30%	1,585,000
Sewer revenue bonds	Dec 6, 2002	3.00%	4,017,000
Airport mower	May 14, 2008	-	14,030
Capital Leases:			
Golf carts	Aug 10, 2005	5.6013%	\$ 62,805

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 1,585,000	\$ -	\$ 170,000	\$ 1,415,000	\$ 59,746	\$ -
\$ 1,585,000	\$ -	\$ 170,000	\$ 1,415,000	\$ 59,746	\$ -
\$ 120,000	\$ -	\$ 120,000	\$ -	\$ 4,200	\$ -
720,000	-	190,000	530,000	22,648	-
1,405,000	-	280,000	1,125,000	25,861	-
2,770,000	-	165,000	2,605,000	103,228	-
\$ 5,015,000	\$ -	\$ 755,000	\$ 4,260,000	\$ 155,937	\$ -
\$ 240,000	\$ -	\$ 43,000	\$ 197,000	\$ 7,200	\$ -
1,168,000	-	152,000	1,016,000	35,040	-
345,000	-	180,000	165,000	14,565	-
3,051,000	-	179,000	2,872,000	91,530	-
4,286	-	4,286	-	-	-
\$ 4,808,286	\$ -	\$ 558,286	\$ 4,250,000	\$ 148,335	\$ -
\$ 37,279	\$ -	\$ 37,279	\$ -	\$ 505	\$ -
\$ 37,279	\$ -	\$ 37,279	\$ -	\$ 505	\$ -

CITY OF OSKALOOSA

Schedule of Bond and Note Maturities

June 30, 2011

Year Ending June 30,	General Obligation Bonds and Notes					
	Refunding		Industry Park Street		Street, Sewer Improvements	
	General Obligation (Notes)		Railroad Crossings		And Equipment (Notes)	
	Issued April 29, 2010		Downtown Streetscaping		Issued May 1, 2008	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2012	1.50%	\$ 290,000	3.70%	\$ 175,000	3.50%	\$ 180,000
2013	1.50	300,000	3.70	185,000	3.50	175,000
2014	2.00	310,000	3.70	190,000	3.50	175,000
2015	2.00	225,000	3.75	205,000	3.50	190,000
2016	-	-	3.80	210,000	3.50	220,000
2017	-	-	3.85	220,000	3.60	210,000
2018	-	-	3.90	230,000	3.70	215,000
2019	-	-	-	-	3.75	225,000
2020	-	-	-	-	4.00	235,000
2021	-	-	-	-	4.00	250,000
2022	-	-	-	-	4.00	260,000
2023	-	-	-	-	4.00	270,000
Total		<u>\$ 1,125,000</u>		<u>\$ 1,415,000</u>		<u>\$ 2,605,000</u>

See accompanying independent auditor's report.

Refunding General Obligation (Notes) Issued April 23, 2008		
Interest Rates	Amount	Total
3.10%	\$ 190,000	\$ 835,000
3.20	105,000	765,000
3.25	115,000	790,000
3.30	120,000	740,000
-	-	430,000
-	-	430,000
-	-	445,000
-	-	225,000
-	-	235,000
-	-	250,000
-	-	260,000
-	-	270,000
	<u>\$ 530,000</u>	<u>\$ 5,675,000</u>

CITY OF OSKALOOSA

Schedule of Bond and Note Maturities - Continued

June 30, 2011

Year Ending June 30,	Revenue Bonds and Notes					
	Sewer Revenue Capital Loan Notes Issued March 31, 1994		Sewer Revenue Capital Loan Notes Issued February 16, 1996		Sewer Revenue Refunding Capital Loan Notes Issued November 27, 2002	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2012	3.00%	\$ 46,000	3.00%	\$ 157,000	4.30%	\$ 165,000
2013	3.00	48,000	3.00	162,000	-	-
2014	3.00	50,000	3.00	167,000	-	-
2015	3.00	53,000	3.00	172,000	-	-
2016	-	-	3.00	177,000	-	-
2017	-	-	3.00	181,000	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
Total		<u>\$ 197,000</u>		<u>\$ 1,016,000</u>		<u>\$ 165,000</u>

See accompanying independent auditor's report.

Sewer Revenue Bonds		
Issued December 6, 2002		
Interest		
Rates	Amount	Total
3.00	\$ 184,000	\$ 552,000
3.00	189,000	399,000
3.00	195,000	412,000
3.00	201,000	426,000
3.00	207,000	384,000
3.00	213,000	394,000
3.00	220,000	220,000
3.00	226,000	226,000
3.00	233,000	233,000
3.00	240,000	240,000
3.00	247,000	247,000
3.00	255,000	255,000
3.00	262,000	262,000
	<u>\$ 2,872,000</u>	<u>\$ 4,250,000</u>

CITY OF OSKALOOSA

Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds

For the Years Ended June 30,

	2011	2010	2009	2008
Receipts:				
Property and other city tax	\$ 4,204,759	\$ 4,014,236	\$ 4,093,455	\$ 3,966,087
Other city tax	1,411,707	1,478,999	1,743,709	1,745,001
Licenses and permits	258,480	238,698	258,457	232,545
Use of money and property	92,202	105,113	223,895	307,762
Intergovernmental	1,521,335	2,885,296	1,607,090	1,508,153
Charges for services	135,086	134,342	142,558	153,814
Special assessments	239,502	3,781	7,095	5,285
Miscellaneous	641,278	667,169	581,313	381,549
Total	<u>\$ 8,504,349</u>	<u>\$ 9,527,634</u>	<u>\$ 8,657,572</u>	<u>\$ 8,300,196</u>
Disbursements:				
Operating:				
Public safety	\$ 2,444,577	\$ 2,297,121	\$ 2,357,418	\$ 2,437,104
Public works	1,098,301	1,113,867	1,378,116	1,252,542
Culture and recreation	1,101,895	1,144,236	1,109,723	1,010,016
Community and economic development	1,252,684	1,346,056	1,616,088	1,674,031
General government	597,240	640,766	616,803	551,333
Debt service	1,142,933	2,566,285	1,398,181	2,768,353
Capital projects	205,535	2,783,553	1,423,322	1,043,651
Total	<u>\$ 7,843,165</u>	<u>\$11,891,884</u>	<u>\$ 9,899,651</u>	<u>\$10,737,030</u>

See accompanying independent auditor's report.

2007	2006	2005	2004
\$ 3,880,396	\$ 3,953,084	\$ 3,635,079	\$ 3,538,506
1,643,292	1,631,480	1,735,966	1,601,922
229,410	226,789	186,466	171,987
262,233	201,733	115,941	69,652
1,411,324	1,318,346	1,285,278	1,378,573
141,263	99,772	44,514	55,510
6,880	4,547	6,080	8,564
537,372	550,252	588,255	859,850
<u>\$ 8,112,170</u>	<u>\$ 7,986,003</u>	<u>\$ 7,597,579</u>	<u>\$ 7,684,564</u>
\$ 2,213,413	\$ 2,187,115	\$ 2,003,707	\$ 1,845,529
1,051,131	911,216	939,256	977,036
1,020,716	900,014	809,170	830,989
1,658,849	1,584,287	1,586,488	1,429,596
540,973	530,248	518,914	550,653
1,629,279	1,651,904	1,621,126	1,455,698
479,296	1,499,891	880,326	787,059
<u>\$ 8,593,657</u>	<u>\$ 9,264,675</u>	<u>\$ 8,358,987</u>	<u>\$ 7,876,560</u>

CITY OF OSKALOOSA

Miscellaneous Data (Unaudited)

June 30, 2011

Form of government	Mayor/Council
Area	7.4 square miles
Building permits, fiscal year ending June 30, 2011	
Permits issued	129
Estimated costs	\$3,040,865
Fire protection:	
Number of stations	1
Number of full-time fire fighters	8
Police protection:	
Number of stations	1
Number of full-time officers	16
Recreation:	
Number of parks	5
Number of acres	205
Number of swimming pools	1
Employees of City as of June 30, 2011	207
Schools:	
Public	3
Parochial	1
Population:	
1900	9,212
1910	9,466
1920	9,427
1930	10,123
1940	11,024
1950	11,124
1960	11,053
1970	11,224
1980	10,989
1990	10,600
2000	10,938
2010	11,463

City of Oskaloosa



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**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Oskaloosa, Iowa as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 19, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the primary government of the City of Oskaloosa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the primary government of the City of Oskaloosa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as items II-A-11 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the primary government of the City of Oskaloosa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of non-compliance or other matter that is described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the primary government of the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The primary government of the City of Oskaloosa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we expressed our conclusions on the City's responses, we did not audit the primary government of the City of Oskaloosa's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Oskaloosa and other parties to whom the City of Oskaloosa may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Oskaloosa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 19, 2011

CITY OF OSKALOOSA

Schedule of Findings

Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements of the primary government of the City, which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting is disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF OSKALOOSA

Schedule of Findings - Continued

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

II-A-11 Segregation of Duties - A good internal control system contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. The three employees in the City Clerk's office collect cash receipts, record collections and maintain custody of collections until deposit. However, when one of the employees is out of office the City is unable to maintain the adequate segregation of duties. As a result, the City has an inadequate segregation of duties over cash receipts.

Recommendation - We recommend segregating the duties of collecting cash receipts and posting them to the general ledger.

Response - This recommendation is accepted. The City will look to realign and reassign duties where practical.

Conclusion - Response accepted.

CITY OF OSKALOOSA

Schedule of Findings - Continued

Year ended June 30, 2011

Part III Other Findings Related to Required Statutory Reporting:

III-A-11 Certified Budget - Disbursements during the year ended June 30, 2011 did not exceed amounts budgeted.

III-B-11 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted. No travel advances to City officials or employees were noted.

III-D-11 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name	Title	Business Connection	Transaction Description	Amount/ Gross
Gladys Genskow	pool manager	Gensko Distributions	concession supplies	\$ 355
Tom Jimenez	council member	Oskaloosa Quality Rental	rental	370
Mark Neff	Fire Chief	S & S Painting	painting	5,515

Chapter 362.5 of the Code of Iowa prohibits transactions with a city officer that has an interest, direct or indirect, in any contract or job of work material or the profits thereof or services to be furnished or performed for the officer's or employee's city. A contract entered into in violation of this section is void. The provisions of this section do not apply if the purchases benefitting that officer or employee do not exceed a cumulative total purchase price of \$1,500. The majority of the transaction with the Fire Chief did not represent a conflict of interest since the work was awarded on a competitive bid process.

III-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. The City published the minutes of the Council proceedings as required by Chapter 372.13(6) of the Code of Iowa.

III-G-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

CITY OF OSKALOOSA

Schedule of Findings - Continued

Year ended June 30, 2011

Part III: Other Findings Related to Required Statutory Reporting - Continued:

- III-H-11 Revenue Bonds - The City established the sinking and reserve accounts required by the sanitary sewer bonds resolution.
- III-I-11 Payment of General Obligation Bonds - General obligation bond payments were paid from the Debt Service Fund in compliance with Chapter 384.4 of the Code of Iowa.
- III-J-11 Economic Development - We noted no instances of noncompliance with the public purpose provisions of Chapter 15A of the Code of Iowa pertaining to economic development.
- III-K-11 Notice of Public Hearing for Public Improvements - We noted no instances of noncompliance with the Chapters 384.102 and 362.3 of the Code of Iowa.
- III-L-11 Sales Tax - We noted no instances of noncompliance with Sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.
- III-M-11 Financial Condition - The City operates on the basis of cash receipts and cash disbursements; therefore, fund balances are not applicable. However, the following funds had a deficit balance as of June 30, 2011:

Special Revenue, Miscellaneous Grants	\$ (5,954)
Enterprise, Edmundson Golf Course	(62,397)

Recommendation - The City should investigate alternatives to eliminate the deficits in order to return the funds to sound financial position.

Response - The deficit balance in the golf course will be eliminated with a staffing reduction and a transition to privatizing the golf course. The miscellaneous grant deficit will be eliminated when grant funds are received.

Conclusion - Response accepted.